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UK Third Sector grant-making: a summary of research by the University of Bath

A philanthropic research study carried out by the University of Bath and Brevio, on
behalf of Marcelle Speller OBE

By

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1. Introduction

Grant-making in the UK is a big industry, worth between £3 and £4bn per annum¹, consisting of grant-makers who wish to fund worthy causes aligned to their funding objectives, and charities and community groups who depend on funding to help those in need. Connecting the dots between these two diverse groups is a key challenge.

In 2017, a group of philanthropists, including Marcelle Speller, funded research to identify the charities' views on the grant making process. The Smarter Grants Initiative (SGI) research identified (p.06), "a strong consensus amongst all charities – small or large, young or old, northern or southern" that better communication between applicants and funders, and a single application form were needed to improve charitable grant-giving. Looking to build on the insights from the SGI report, Marcelle Speller established a research and oversight collaboration with the University of Bath. The philanthropic funds provided as part of this relationship enabled three world-leading academics – Alistair Brandon-Jones (Professor of Operation and Supply Management), Jullian Padget (Reader in Computer Science), and Dimo Dimov (Professor of Entrepreneurship) – along with a multi-award-winning University of Bath MBA graduate, Philip Hodgson, to undertake the current research project into the grant-making process.

To examine current perspectives on Third Sector grant-making, the research team undertook various forms of data collection and analysis, including analysis of the sector, analysis of current grant application forms, and analysis of a survey circulated to charities. The latter form the main thrust of this report. We have retained the anonymity of the funders and charities involved in this research, because the purpose of our work is not to cast judgement, good or bad, on organisations (which ultimately will only be counterproductive); rather it is to understand the current state of play in the sector and seek sustainable solutions for improvement.

The Third Sector

¹ NFPSynergy 2nd August 2017 (<https://nfpsynergy.net/free-report/facts-figures-grant-making-trusts>) there are around 8,000 UK grant-making trusts, giving a total of £3bn annually. But according to the Association of Charitable Foundations Giving Trends 2017, the top 300 UK Foundations made grants of £4.1billion of in 2017.

According to the NCVO Data Almanac (2019), the total income of the sector in 2016/17 was £50.6 billion. The income sources and their contribution are illustrated in figure one, topping out with public donations of £22.9 billion, followed by the Government, the voluntary sector, investment, private sector, and the National Lottery.

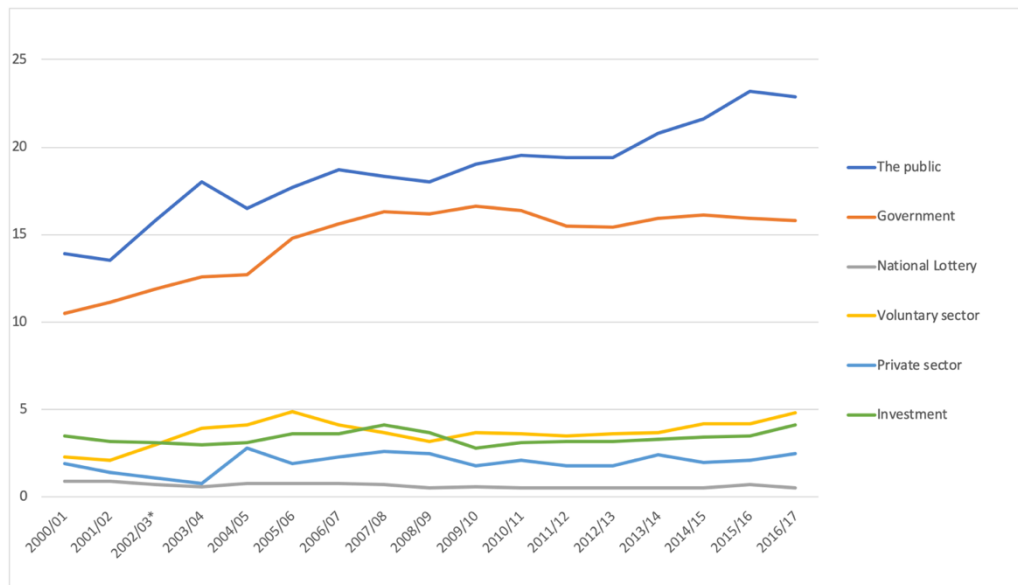


FIGURE 1: SECTOR FINANCES (NVCO DATA ALMANAC, 2019)

According to Pharoah at al. (2018) in ACF Foundation Giving Trends 2018, total grant-making through different kinds of charitable foundations has been estimated at £6.5 billion. Two-fifths (42%) of this are derived from the Top 300 philanthropically funded foundations (ACF Foundation Giving Trends 2018, p.02).

Government spending provides £15.3 billion annually to registered ‘general household charities’². However, given that fees, contracts, endowments, and gift-in-aid to Arm’s Length Bodies (ALBs) are included in the Government’s figures, it is not clear what proportion of the £15.3 billion is allocated to funding derived from grant applications alone.

2. Current application forms

The aim of this part of our research was to examine the characteristics of current grant application forms in the Third Sector. In doing so, we hoped to identify patterns of data input required across different grant-makers.

² Found in ACF Foundation Giving Trends 2018, from NCVO UK Civil Society Almanac 2017.

Grant application form - questions

The sample data collected (n=24) revealed a mean of 62 questions were asked in a typical grant application form, and a median of 47. However, the range revealed huge disparity with one funder requesting up to 193 questions, and one as few as 21. The distribution reveals a right skew highlighting two funders requesting a disproportionately high volume of questions (169 and 193).

Analysis was carried out to investigate what would happen to the data if the two funders requesting the highest grant questions of 169 and 193 were removed. As expected, the mean adjusted from 62 to 51, and the range from 172 to 74. However, given the small dataset it would be misleading to suggest these two funders represent outliers, and with the current data available it should be assumed they do represent the spread and extent of grant applications.

Grant application form - word count

Another consideration are the size and extent of qualitative questions funders request of applicants. These are open ended questions, such as 'please describe...', with an accompanying word limit, such as 50, 150, 300, etc. It is reasonable to assume a grant applicant will fill whatever word limit is supplied by the funder, as that is what they will assume the funder needs in order to make a decision.

The research reveal funders require a mean word count of 1622 for qualitative responses. Once again, the disparity between funders is significant, with one funder requiring 380 words and another requiring 6060 words.

The word count analysis was grouped into categories of 'general' questions and 'funding specific' questions. Typical general questions include contact details or information about the organisation, while funding specific questions typically include information about the intended beneficiaries, the outcomes, or finances required. Figure two illustrates that funders typically require more funding specific questions than general questions, with a few exceptions.

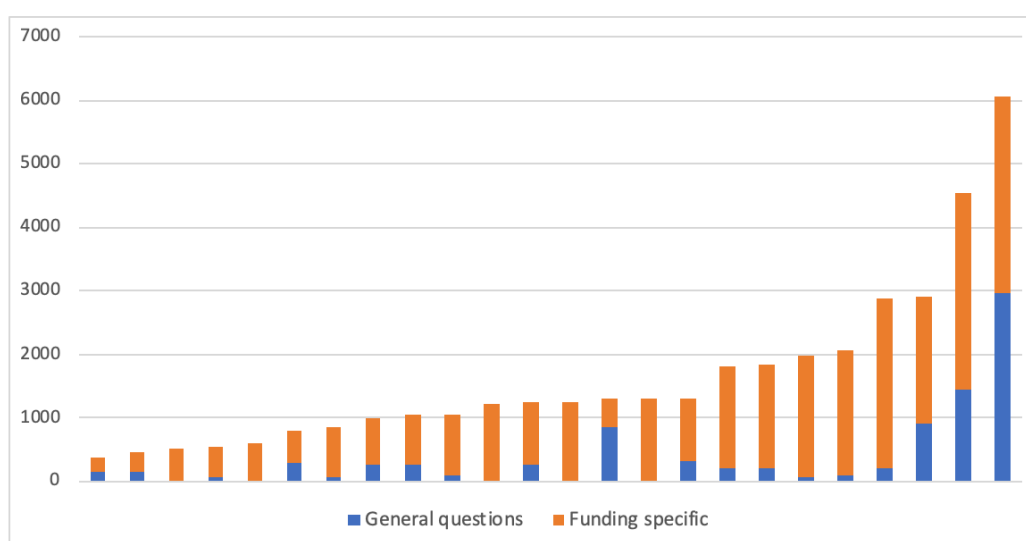


FIGURE 2: WORD COUNT REQUESTED BY FUNDERS FOR QUALITATIVE QUESTIONS

The distribution of the word count revealed a right skew in the sample data; therefore, research was carried out to identify the impact of removing possible outliers on the sample data. These results show that removing the top 10% of data, the mean moves much closer to the median, and the range is tightened. However, as removing 10% from such a small sample size (n=24) might seem too drastic, a more moderate approach involves removing 5%. In this case, removing the top 5% of the sample results in a mean of 1429 words (from 1622) requested, and a range of 4170 (from 5680) words required by funders.

3. Survey

A survey was circulated to better understand the time, resources and costs to complete a typical application (see [Appendix one](#) for full list of the questions). A number of organisations circulated the survey on their social media channels and/ or within their regular email newsletters, listed below in alphabetical order.

- 360Giving
- Third Sector Group (3SG)
- Directory of Social Change (DSC)
- Institute of Fundraising (IOF)
- Localgiving
- National Lottery Community Fund (NLCF)
- National Council for Voluntary Organisations (NCVO)

- People's Postcode Lottery
- Small Charities Coalition

Care was taken to frame and structure the survey to maximise the data quality collected, such as, keeping questions short and concise with simple to understand language, reviewing for leading, open, or double ended questions, and providing interval questions.

Furthermore, in order to reduce response bias, none of the survey questions were compulsory, important because, if a respondent lacks the knowledge about a question (such as organisation annual income) they are not forced to answer the question randomly to continue with the rest of the survey. The implications of this is reflected in the data analysis conducted, in that the number of respondent's data varies depending on what is being analysed (refer to table one below).

Data collected	Sample size
Total survey opens (unique)	247
Data on number of grants applied & successful applications	177
Data on time	148
Data on annual income	142
Data on costs	118

TABLE 1: RESPONDENT DATA COLLECTED

Conservative results

The researchers looked to identify conservative results, in effect seeking an outcome that was as unbiased, and as independent as possible. As such, the sample data was weighted to reflect the wider population distribution³ and adjusted for outliers⁴.

Accounting for time spent

When looking to establish an annual cost to the sector, the hourly rates provided were analysed to find the lower and upper limits of what charities were paying their staff. The results of this are shown in table two. To establish an equivalent hourly rate for the non-paid staff (opportunity cost); the volunteer staff were assigned a rate matching the front-line employees, and the trustees a rate matching a consultant. The figures for a 'mid' rate were extrapolated to reflect somewhere between the low and high rates.

Paid & non-paid* staff	Low (£)	Mid (£)	High (£)
Front line employee	10	15	25
Grant writing employee	10	15	25
Senior/ Directing staff	30	40	50
Consultant	50	75	100
Volunteer staff *	10	15	25
Trustees *	50	75	100

TABLE 2: HOURLY RATES EXTRACTED FROM THE SAMPLE DATA

Averaging across the sample data, a typical application has input from 81% paid staff, 5% consultant, and 14% non-paid staff such as volunteers and trustees, refer to table three. Once the mean (average) number of hours to complete a typical survey is known from the

³ The NCVO Data Almanac 2019 is as close to a population dataset as possible for registered charities, combining data from the Charity Commission and NCVO. Amongst other things, this data provides data for registered charities segmented by annual income that enables weighting.

⁴ Outlier analysis was carried out to research the impact of possible outliers had on the mean in relation to the median. As a result of outlier analysis, the top 5% of sample data would be omitted from analysis within each segment. It was found the 5% had the effect of influencing the data results (i.e. moving the mean significantly closer to the median), whilst also deemed appropriate (than say, 10%) given the sample size of the survey.

data analysis, the data from tables two and three can be used to determine the cost per typical application. In the interests of being conservative, only the 'low' costs are used (table two).

There was considerable range in the typical time a charity spent per application, as well as the cost they would spend. The typical time ranged from two hours to 175 hours, and the cost ranged from £40 to £3291.

Paid & non-paid* staff	Total time (hrs)	Time (%)	Allocation (%)
Front line employee	753	18	81
Grant writing employee	1278	31	
Senior/ Directing staff	1347	32	
Consultant	192	5	5
Volunteer staff *	337	8	14
Trustees *	259	6	

TABLE 3: HOW RESOURCES ARE ALLOCATED

Size of the sector

When establishing the size of the sector, namely the funders and the charities, there are various data sources that can be used. The figures used in this research are highlighted in table four.

Type	Organisations (n)	Source	Used
Registered charities	166,854	NCVO Almanac 2019 ⁵	yes
Registered charities	168,186	Charity Commission 2019 ⁶	

⁵ NCVO (2019). UK Civil Society Almanac 2019. Data Tables

⁶ Latest stats available at: Official Statistics. Recent charity register statistics: Charity Commission (Last updated: Oct 2018).

Known unregistered charities	184,000	National Audit Office 2011 ⁷	yes
Unknown unregistered charities (anecdotal)	500,000	Localgiving/ Marcelle Speller	
Funders	8,000	NFPSynergy ⁸	
Funders	10,000	Charity Trends ⁹	
Funders	9,000	(mid-point)	yes

TABLE 4: NUMBERS USED TO ESTABLISH THE SIZE OF THE SECTOR

Quantifying the inefficiencies and wastage

Pursuant to the methodology and sample data, the survey analysis reveals the following top line results:

- The average (mean) application takes 19 hours to complete, the median is 16.
- The average (mean) number of applications a registered charity applies for annually is 22, the median is 25.
- The average (mean) success rate per application is 34%, the median is 35%.
 - If you flip this data, the average (mean) failure rate per application is 66%.
 - There is a huge disparity in the sector ranging from 10% to 100% failure rate.
- A typical application involves 81% paid staff, 5% consultants, and 14% non-paid staff.
- The annual cost to the sector of writing grants is £1.1 billion annually (includes the cost of paid staff, and registered charities only)
 - This cost increases to £1.4 billion annually when including an opportunity 'cost' for non-paid staff (such as volunteers and trustees)

⁷ National Audit Office (2012). Regulating charities: a landscape review.

⁸ NFPSynergy (2017). Facts & Figures: Grant-Making Trusts.

⁹ The Charity Commission for England & Wales provides figures for charities that make grants as part of operating activity but does not identify the number of UK foundations whose predominant/sole activity is grant-making. In *Charity Trends 1997* (CAF) an estimate of approximately 10,000 such foundations was compiled. No more recent survey is available. (Found in Pharoah & Walker (2019). ACF Foundation Giving Trends 2019, p.33).

- Therefore, based on a cost of £1.1 billion, a full time equivalent of £374 million is spent annually applying for successful grants, and £726 million wasted on unsuccessful grants.

What is clear is the £1.1 billion annual cost to the sector in applying for grants is a considerable. If the costs for non-paid staff, and the figures for unregistered charities were also included, these numbers would be significantly higher.

The solution

Our findings and subsequent analysis suggest that standardising and digitising grant application questions could play a key role in reducing Third Sector wastage and inefficiencies due to duplication of effort – the first step of a circular and continuous process of solving problems within applications, grant-giving, monitoring, and impact reporting. This is because:

1. Standardisation and digitisation of grant applications will provide a sustainable solution and significantly reduce the current wastage and inefficiencies
2. By doing so, it creates a platform for the Third Sector to better understand and address other issues (i.e. potential for single- and double-loop learning effects)

In simple terms, the proposed solution acts like a multisided platform such as a dating site, connecting funder and applicant. The benefits of standardisation for the Third Sector are far reaching. A platform of standardised questions, built through collaboration and peer reviewed, place greater automation, insights, and control at the fingertips of both funder and charity.

Charities will benefit from a high degree of automation, only uploading information once, with subsequent similar applications auto filled. Funders will benefit from adopting best practice questions, and a single source of truth containing the most up-to-date applicant information. The platform will support the charities in understanding the type and level of information expected from each question, reducing bias and maximising the quality of data

received. In addition, data will be pulled automatically from Companies House, the Charity Commission, or other sources such as Charity Base, ensuring the latest, up-to-date information.

Automation will be further maximised across the platform (both push and pull) to carry out the drudge work, in turn freeing up charities and funders resources to focus on value-added activities, such as, monitoring, looking after the end-beneficiaries, measuring impact, and processing funds.

Both parties would benefit from recommendation engines pairing suitable grantees with grant-makers, eliminating the current grantee misinterpretation of eligibility, or those who have not fully read the funders criteria. Thus, grant-makers would only receive appropriate applications aligned to their funding proprieties, and grantees would benefit from greater awareness of funding opportunities they may otherwise have not been aware of.

A platform facilitates greater communication across the sector, be these simple feedback loops between funders to mitigate risk and promote charities doing the best work, or as feedback for charities when seeking funding.

Finally, the data flowing through the platform would allow anonymised and secure data analysis on a level currently unprecedented within the sector. This provides data led insights valuable to both funder and charity to discover previously unknown sector insights to be used for decision making, impact measurement, and reporting.

Taking the solution forward

The stakeholder analysis revealed that an independent and agile organisation would be most appropriate to impartially meet, and respond to, the needs of both funders and charities. The funding model, at least initially, should be independent and funded by as few sources as possible – in other words have as few perceived vested interests as possible - to maximise agility and help demonstrate impartiality. Finally, the organisational structure should also be agile and reduce bureaucracy wherever possible, and therefore is most suited to a social purpose limited company with B-Corp status. It is worth noting the

organisation does not need to be independent or a limited company in perpetuity, this too can be agile, but it is considered crucial during the early stages of development for success. To this end, Brevio was formally established in May 2019, with those involved in this research playing active roles.

For this to work, the sector must work together to identify and solve the sector's problems. The objective should be to establish cross-industry working groups, including both funders and charities, to co-create sustainable solutions. Brevio has adopted an agile and iterative approach to development, whereby the solution will be built in incremental stages and honest feedback will be continually sought from the working group, which is then used to determine the next stage of development. To this end, a prototype was complete in June 2019, and a Beta platform was completed in October 2019, providing opportunity stakeholders.

Conclusion

This report has provided a summary into some of the research carried out by the University of Bath, including the top-line analysis of the current grant applications, and the analysis of a survey sent to charities. These findings have identified a system under strain and in need of radical innovation to facilitate new ways of working.

The current volatile, uncertain, complex, and ambiguous economic climate has left its mark on the sector. A new economic equilibrium of supply and demand has been created, where the charity transacts their time (to fill out the applications) at the expense of the end-beneficiary, while the funders are indirectly paying for all successful and unsuccessful applications.

It is widely accepted within the sector the current grant application system is wasteful and inefficient. The system needs to change, and it is the recommendation of the researchers to create an independent organisation to specifically address the needs of the sector. Third Sector grant standardisation and digitisation will not only provide a sustainable solution to

meet the needs of today, but also facilitate greater value to the sector through better insights and the ability to address other sector issues at scale.

Further information about Brevio's progress standardising UK grant applications can be found on their website: www.brevio.org.

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Appendix one: Charity survey questions

How could grant making be smarter?

The data from this survey will provide crucial insights necessary to quantify the current inefficiencies of grant applications. An independent organisation called Brevio, established by Localgiving's founder Marcelle Speller, has an alternative solution, however, needs your help in answering these questions to mobilise foundations and government to action.

The data from this survey will be analysed in confidence by the Brevio team together with the University of Bath. You are not required to share any identifying details, however if you do, all insights will be anonymised to protect your identity and privacy. Please tick this box to confirm you understand this and are happy to participate.

1. In a typical year, how many grants does your charitable organisation/ community group apply for? *(enter the number only)*
2. Based on your experience, of every 10 applications you make, how many are successful? *(please drag the slider)*
3. In section we're trying to understand the resources and costs associated with preparing grant applications. Such as, who's involved in preparing your grant applications, what is the extent of their involvement, and how much does their time cost.
 - 3.1. For your organisation, if these people are involved in preparing or approving grant applications, can you rate their involvement? *(With zero being never involved, and 10 being involved in every application)*
[slider of 0-10 provided for each of the below, with increments permitted in intervals of 1]
 - 3.1.1. Front line employee (a person primarily tasked with providing front-line services to your beneficiaries)

- 3.1.2. Grant writing employee (a person tasked solely with writing grant applications)
- 3.1.3. Senior/ directing staff (your managerial staff)
- 3.1.4. Consultant (an external grant writing specialist or agency)
- 3.1.5. Volunteer staff
- 3.1.6. Trustees

3.2. Following on from the previous question, how much time (in hours) would each person spend compiling a typical application? *(For example, a typical application might require three hours from a grant writing employee and one hour from a director).*

[slider of 0-60 provided for each of the below, with increments permitted in intervals of 1]

- 3.2.1. Front line employee (hours)
- 3.2.2. Grant writing employee (hours)
- 3.2.3. Senior/ directing staff (hours)
- 3.2.4. Consultant (hours)
- 3.2.5. Volunteer staff (hours)
- 3.2.6. Trustees (hours)

3.3. How much do you pay these people? *(If these people are not involved in preparing or approving grant applications then please leave as zero)*

[slider of 0-100 provided for each of the below, with increments permitted in intervals of 1]

- 3.3.1. Front line employee (£ per hour)
- 3.3.2. Grant writing employee (£ per hour)
- 3.3.3. Senior/ directing staff (£ per hour)
- 3.3.4. Consultant (£ per hour)
- 3.3.5. Volunteer staff (£ per hour)
- 3.3.6. Trustees (£ per hour)

4. What was your approximate annual income for your charitable organisation/ community group for the previous year?
[input box provided for number].
5. What % (estimated) of income is from grants?
[slider provided from 0-100, input restricted to increments of 10%].
6. What are the most positive aspects of the current grant application process you have experienced? (Max. 300 words)
7. What are the most negative aspects of the current grant application process you have experienced? (Max. 300 words)
8. Finally, Marcelle and her colleagues at the University of Bath are looking for charities who are willing to participate in future discussions. If this solution is going to be better than the current system, it's essential we build it with your input.

If you are happy for Marcelle and her team to contact you again in the future, please provide your contact details below. Leave blank if you do not wish to be contacted and press through to the next page to submit the survey - thank you!

Organisation Name [Input box]

Point of Contact Name [Input box]

Email Address [Input box]

Telephone Number [Input box]